

## The Health Coverage Tax Credit (HCTC)

Federal HCTC Customer Contact Center  
(Toll-free) 1-866-628-HCTC  
TDD/TTY for the deaf/hard-of-hearing 1-866-626-4282  
<http://www.irs.gov/> Health Coverage Tax Credit

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### What is the Health Coverage Tax Credit?

A federal tax credit that pays 65 percent of the health plan premium for eligible people enrolled in “qualified” health plans. This is not a government insurance program.

### Who is eligible?

- Displaced workers who receive Trade Readjustment Allowances (TRA) under the Trade Adjustment Assistance Act (TAA).
- Some individuals who receive pension benefits from the Pension Benefit Guaranty Corporation (PBGC).

### Which TAA participants are eligible?

- Individuals receiving a Trade Readjustment Allowance (TRA).
- Individuals who would be eligible to receive TRA, but have not yet exhausted their unemployment insurance (UI) benefits.
- Individuals receiving benefits under Alternative Trade Adjustment Assistance (ATAA), a program that will be established later this year.

### Which PBGC participants are eligible?

- Individuals between the ages of 55-65 who receive pension benefits from PBGC.
- Individuals over age 65 who are not entitled to Medicare Part A.

### What else is required to be eligible?

- Individuals must be covered by a “qualified” health plan.
- Individuals cannot be claimed as a dependent on another individual’s federal tax plan.
- Individuals cannot have other specified coverage, including Medicare.
- Individuals must not be imprisoned by federal, state or local authority.

### Which health plans “qualify” for participation?

In order to take advantage of the health coverage tax credit, you must purchase coverage through one of several qualified health insurance options. In Kentucky, the qualified health insurance options include:

- Federal COBRA continuation coverage, unless the employer/former employer pays at least 50 percent of the cost of coverage.
- State continuation coverage under Kentucky law (KRS 304.18-110).

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- Spousal coverage, if the employer (or employee through pre-tax contributions) pays less than 50 percent of the cost of coverage.
- Individual coverage in which the HCTC eligible individual was enrolled at least 30 days prior to separation from the job that made him or her eligible for TRA benefits, ATAA benefits, or payments from the PBGC.

**Will additional “qualified health plans” be available in Kentucky?**

In mid 2003, the Department of Insurance discussed the need for HCTC “qualified health plans” with health insurance companies in this state to ensure affordable coverage to individuals qualifying for the tax credit; however, no companies submitted proposals to offer a “qualified health plan.” Therefore, the Department has extended an invitation to meet with health insurance companies later this month in Frankfort to present an overview of the HCTC and respond to any questions/concerns the companies may have relating to offering a plan. Representatives from the U.S. Department for Health and Human Services and the Internal Revenue Service will also be available to respond to any concerns at the federal level. Based upon these activities, the Department believes there may be additional “qualified health plans” available in 2004.

**Where do I get more information?**

Information for individuals and health plan administrators is available online at the Internal Revenue site <http://www.irs.gov/> under Health Coverage Tax Credit. You can contact the federal HCTC Customer Contact Center toll-free at 1-866-628-HCTC. The TDD/TTY line for the deaf/hard-of-hearing is 1-866-626-4282.

Kentucky Department of Insurance